Supreme Court, U.S.
FILED
JUN 1 - 2016
OFFICE OF THE CLERK

No. 15-777

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,
Petitioners,

v.

APPLE INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR PETITIONERS

MICHAEL T. ZELLER
B. DYLAN PROCTOR
QUINN EMANUEL URQUHART & SULLIVAN, LLP
865 S. Figueroa Street
10th Floor
Los Angeles, CA 90017
(213) 443-3000

VICTORIA F. MAROULIS
BRETT J. ARNOLD
QUINN EMANUEL URQUHART & SULLIVAN, LLP
555 Twin Dolphin Drive
5th Floor
Redwood Shores, CA 94065
(650) 801-5000

KATHLEEN M. SULLIVAN
Counsel Of Record
WILLIAM B. ADAMS
DAVID M. COOPER
CLELAND B. WELTON II
QUINN EMANUEL URQUHART & SULLIVAN, LLP
51 Madison Avenue
22nd Floor
New York, NY 10010
(212) 849-7000
kathleensullivan@quinnemanuel.com

Counsel for Petitioners

June 1, 2016

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20002

QUESTION PRESENTED

Section 171 of the Patent Act authorizes issuance of a design patent on "any new, original and ornamental design for an article of manufacture." 35 U.S.C. 171. Section 289 of the Patent Act authorizes district courts to award infringer's profits as a remedy for design-patent infringement "to the extent of [an infringer's] total profit, but not less than $250," provided that a design-patent holder "shall not twice recover the profit made from the infringement." 35 U.S.C. 289.

The Federal Circuit held that Section 289, if elected as a remedy, automatically entitles a design-patent holder to recover all of an infringer's profits made from sales of any product found to bear a patented design, without regard to the design's contribution to that product's value or sales. The question presented is:

Where a patented design is applied only to a component of a product, should an award of infringer's profits be limited to profits attributable to that component?

RULE 29.6 STATEMENT

Samsung Electronics America, Inc. ("SEA") is a wholly-owned subsidiary of Samsung Electronics Co., Ltd. ("SEC"), a publicly held corporation organized under the laws of the Republic of Korea. SEC is not owned by any parent corporation and no other publicly held corporation owns 10% or more of its stock. No other publicly held corporation owns 10% or more of SEA's stock. Effective January 1, 2015, Samsung Telecommunications America, LLC ("STA") merged with and into SEA, and therefore STA no longer exists as a separate corporate entity.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
RULE 29.6 STATEMENT	ii
TABLE OF AUTHORITIES	vi
INTRODUCTION	1
OPINIONS BELOW	3
JURISDICTION	3
CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED	4
STATEMENT	4
A. Factual Background	4
B. Statutory Background	11
1. Patent Acts Prior To 1887	11
2. The *Dobson* Cases	11
3. The Patent Act Of 1887	12
4. The Patent Acts Of 1922 And 1946	15
5. The Patent Act Of 1952	15
C. Regulatory Background	17
D. Proceedings Below	19
1. District Court Proceedings	19
2. The Federal Circuit Decision	22
SUMMARY OF ARGUMENT	24
ARGUMENT	27

TABLE OF CONTENTS—Continued

Page

I. SECTION 289 ALLOWS ONLY TOTAL PROFIT ATTRIBUTABLE TO INFRINGEMENT OF THE PATENTED DESIGN ... 27

A. The Text Of Section 289 Allows Only Total Profit Attributable To Infringement Of The Patented Design 28

1. "Article Of Manufacture" To Which The Design Is "Applied" 28

2. "Made From The Infringement" 34

3. Background Principles Of Causation And Equity 35

B. Section 289's History Shows Congress's Purpose To Allow Only Total Profit Attributable To Infringement Of The Patented Design 40

1. The 1887 Congress Sought To Ensure Meaningful Recovery For Infringement Of Patented Designs By Decorative Articles Whose Value Was Driven By Design 40

2. Post-1887 Legislative Developments Confirm Section 289's Narrow Purpose 43

C. Practical Consequences Counsel Interpreting Section 289 As Allowing Only Total Profit Attributable To Infringement Of The Patented Design 44

TABLE OF CONTENTS—Continued

Page

1. The Entire-Profits Rule Would Create Disproportionate Awards And Risk Multiple Recoveries 45

2. The Entire-Profits Rule Would Harm Innovation, Competition And Small Businesses 47

3. Section 289 Provides A Practical Alternative To Section 284 Even As Properly Limited 52

II. THE PROPER CONSTRUCTION OF SECTION 289 NECESSITATES REVERSAL OR VACATUR OF THE JUDGMENT BELOW 53

A. The Record Contains No Proof Of Total Profit From The Relevant Articles Of Manufacture 54

B. The Record Contains No Proof Of Total Profit Made From The Infringement 57

C. At A Minimum, A New Trial Is Necessary 58

CONCLUSION 60

TABLE OF AUTHORITIES

CASES Page(s)

Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964) 15

Bigelow Carpet Co. v. Dobson, 10 F. 385 (C.C.E.D. Pa. 1882) 12

Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989) 31, 39

Bush & Lane Piano Co. v. Becker Bros., 222 F. 902 (2d Cir. 1915) 21, 22, 32, 33, 44

Bush & Lane Piano Co. v. Becker Bros., 234 F. 79 (2d Cir. 1916) 23, 32, 33, 53

Carbice Corp. v. Am. Patents Dev. Corp., 283 U.S. 27 (1931) 35

Carey v. Piphus, 435 U.S. 247 (1978) 36

Davis v. Gap, Inc., 246 F.3d 152 (2d Cir. 2001) 38

Dean v. Mason, 61 U.S. 198 (1857) 11

Dobson v. Dornan, 118 U.S. 10 (1886) 11, 12, 40

Dobson v. Hartford Carpet Co., 114 U.S. 439 (1885) 11, 12, 40

Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641 (1915) 33, 53

TABLE OF AUTHORITIES—Continued

Page(s)

Dura Pharm., Inc. v. Broudo,
544 U.S. 336 (2005) 36

eBay, Inc. v. MercExchange, LLC,
547 U.S. 388 (2006) 36, 51

Egyptian Goddess, Inc. v. Swisa, Inc.,
543 F.3d 665 (Fed. Cir 2008) 52

Elwood v. Christy,
144 Eng. Rep. 537 (1865) 40

FCC v. Fox Television Stations, Inc.,
556 U.S. 502 (2009) 39

Garretson v. Clark,
10 F Cas. 40 (C.C.N.D.N.Y. 1878) 11

Garretson v. Clark,
111 U.S. 120 (1884) 11, 12, 37

Gorham v. White,
81 U.S. 511 (1871) 31

Graham v. John Deere Co. of Kansas City,
383 U.S. 1 (1966) 39

Hazelquist v. Guchi Moochie Tackle Co.,
437 F.3d 1178 (Fed. Cir. 2006) 52

Holmes v. Sec. Investor Prot. Corp.,
503 U.S. 258 (1992) 36

John Hancock Mut. Life Ins. Co. v. Harris Trust & Sav. Bank,
510 U.S. 86 (1993) 27

Lindy Pen Co. v. Bic Pen Corp.,
982 F.2d 1400 (9th Cir. 1993) 38

TABLE OF AUTHORITIES—Continued

Page(s)

Littlefield v. Perry,
88 U.S. 205 (1874) 37

Lucent Techs., Inc. v. Gateway, Inc.,
580 F.3d 1301 (Fed. Cir. 2009) 53

Meyer v. Holley,
537 U.S. 280 (2003) 35

Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.,
316 U.S. 203 (1942) 38

Nike, Inc. v. Wal-Mart Stores, Inc.,
138 F.3d 1437 (Fed. Cir. 1998) 23

Nordock, Inc. v. Systems Inc.,
803 F.3d 1344 (Fed. Cir. 2015) 45, 50

Norfolk Redevelopment & Hous. Auth. v. Chesapeake & Potomac Tel. Co. of Virginia,
464 U.S. 30 (1983) 35

Pac. Coast Marine Windshields Ltd. v. Malibu Boats, LLC,
2014 WL 4185297
(M.D. Fla. Aug. 22, 2014) 45

Paroline v. United States,
134 S. Ct. 1710 (2014) 36

ResQNet.com, Inc. v. Lansa, Inc.,
594 F.3d 860 (Fed. Cir. 2010) 38

Richardson v. Stanley Works, Inc.,
597 F.3d 1288 (Fed. Cir. 2010) 52

TABLE OF AUTHORITIES—Continued

Page(s)

Riley v. California,
134 S. Ct. 2473 (2014) 4

Rite-Hite Corp. v. Kelley Co.,
56 F.3d 1538 (Fed. Cir 1995) 38

Riter-Conley Mfg. Co. v. Aiken,
203 F 699 (3d Cir. 1913) 30

Root v. Ball,
20 F Cas. 1157 (C.C.D. Ohio 1846) 17

Sandifer v. U.S. Steel Corp.,
134 S. Ct. 870 (2014) 28

Seymour v. McCormick,
57 U.S. 480 (1853) 47

Sheldon v. Metro-Goldwyn Pictures Corp.,
309 U.S. 390 (1940) 34, 37

In re Stevens,
173 F.2d 1015 (C.C.P.A. 1949) 31

Stevens v. Gladding,
58 U.S. 447 (1855) 11

Tide-Water Oil Co. v. United States,
171 U.S. 210 (1898) 30

Tilghman v. Proctor,
125 U.S. 136 (1888) 37

Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.,
750 F.2d 1552 (Fed. Cir. 1984) 33, 34

United States v. Bestfoods,
524 U.S. 51 (1998) 35

TABLE OF AUTHORITIES—Continued

Page(s)

Univ. of Texas Sw. Med. Ctr. v. Nassar,
133 S. Ct. 2517 (2013) 36

Weinberger v. Romero-Barcelo,
456 U.S. 305 (1982) 36

WesternGeco L.L.C. v.
ION Geophysical Corp.,
791 F.3d 1340 (Fed. Cir. 2015) 53

Ex parte Wiessner,
1898 Dec. Comm'r Pat. 236 ..... 18, 30

Young v. Grand Rapids Refrigerator Co.,
268 F 966 (6th Cir. 1920) 33

In re Zahn,
617 F.2d 261 (C.C.P.A. 1980) 19

CONSTITUTION, STATUTES AND REGULATION

U.S. Const. art. I § 8, cl. 8 ..... 4, 39

17 U.S.C. 25(b) (1940) 35

17 U.S.C. 101 29

28 U.S.C. 1254(1) 3

35 U.S.C. 1 4

35 U.S.C. 171 ..... i, 17, 28, 31, 55

35 U.S.C. 271 30

35 U.S.C. 284 ..... 15, 52, 53

35 U.S.C. 289 .. i, 1, 2, 4, 11, 15, 16, 20, 23, 24, 25, 26, 27, 28, 31, 34, 35, 38, 39, 40, 43, 44, 47, 52, 53, 56, 57, 58, 59

TABLE OF AUTHORITIES—Continued

Page(s)

37 C.F.R. 1.153 ..... 18, 55

Act of April 10, 1790, Ch. 7, § 4,
1 Stat. 109, 111 11

Act of Feb. 15, 1819, Ch. 19,
3 Stat. 481 11

Act of July 8, 1870, Ch. 230, § 59,
16 Stat. 198, 207 11

Act of Feb. 4, 1887, Ch. 105, §§ 1, 2
24 Stat. 387, 387-88 ..... 13, 16, 43, 44

Act of Feb. 21, 1922, Ch. 58, § 8,
42 Stat. 389, 392 ..... 15, 43

Act of Aug. 1, 1946, Ch. 726, § 1,
60 Stat. 778 ..... 15, 43

Act of July 19, 1952, Ch. 950, § 289,
66 Stat. 792, 813-14 ..... 16, 43, 44

LEGISLATIVE MATERIALS

18 CONG. REC. 834 (1887)..... 14, 15, 40, 41, 42, 43

H.R. REP. NO. 49-1966 (1886)..... 14, 40, 41, 42

S. REP. NO. 49-206 (1886)..... 14, 40

OTHER AUTHORITIES

Adam Liptak, *Supreme Court to Hear Samsung Appeal on Apple Patent Award*, N.Y. TIMES (Mar. 21, 2016), http://www.nytimes.com/2016/03/22/technology/supreme-court-to-hear-samsung-appeal-on-apple-patent-award.html..... 50

TABLE OF AUTHORITIES—Continued

Page(s)

ALEXANDER M. BURRILL, A LAW DICTIONARY AND GLOSSARY (2d ed. 1871) 30

Alex Cocotas, *Samsung Maintains Lead In The Smartphone Market, Despite iPhone 5*, BUSINESS INSIDER AUSTRALIA (Feb. 9, 2013), http://www.businessinsider.com.au/samsung-is-the-smartphone-king-2013-2 10

Bartlett Cleland, *Flawed by design*, THE HILL (Oct. 12, 2015), http://thehill.com/blogs/congress-blog/technology/256563-flawed-by-design 51, 52

BLACK'S LAW DICTIONARY (1st ed. 1891) 29, 31

BLACK'S LAW DICTIONARY (4th ed. 1951) 29, 31

Clark D. Asay, *Copyright's Technological Interdependencies*, 18 STAN. TECH. L. REV. 189 (2015) 9

Frederic H. Betts, *Some Questions Under the Patent Act of 1887*, 1 YALE L.J. 181 (1892) 39

Gary L. Griswold, *35 USC 289—After Apple v. Samsung, Time for a Better-Crafted Judicial Standard for Awarding "Total Profits"?*, PATENTLYO (Aug. 14, 2015), http://patentlyo.com/patent/2015/08/griswold-patent-damages.html 51

TABLE OF AUTHORITIES—Continued

Page(s)

Giuseppe Macri, *Patent Trolls are Already Abusing the Apple v. Samsung Ruling*, INSIDESOURCES (Oct. 1, 2015), http://www.insidesources.com/patent-trolls-are-already-abusing-the-apple-v-samsung-ruling/ 51

Guidelines for Examination of Design Patent Applications for Computer-Generated Icons, 61 Fed. Reg. 11380 (March 20, 1996) 55

Jason Rantanen, *Apple v. Samsung: Design Patents Win*, PATENTLYO (May 18, 2015), http://patentlyo.com/patent/2015/05/samsung-design-patents.html 50

Jeff John Roberts, *Apple, rounded corners and the new debate over design patents*, FORTUNE (Aug. 19, 2015), http://fortune.com/2015/08/19/apple-patents-rounded-corners/ 48

Kent German, *A Brief History of Android Phones*, CNET (Aug. 2, 2011), http://www.cnet.com/news/a-brief-history-of-android-phones/ 10

Letter from Thomas Jefferson to Isaac McPherson (Aug. 1813), *in* VI WRITINGS OF THOMAS JEFFERSON (Washington ed.) 39

Mike Musgrove, *Apple Seeks To Muscle Into Telecom With iPod Phone*, WASHINGTON POST, Jan. 10, 2007, at D1 6

TABLE OF AUTHORITIES—Continued

Page(s)

Perry J. Saidman, *The Crisis in the Law of Designs*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 301 (2007) 19, 46

RESTATEMENT (FIRST) OF RESTITUTION § 136 (1937) 37

RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 51(4) (2011) 37

RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 51(5) (2011) 36

Samsung Handsets Through The Ages: A Photo Tour of Phone Firsts, ZDNET (May 28, 2015), http://www.zdnet.com/pictures/samsung-handsets-through-the-ages-a-photo-tour-of-phone-firsts/ 5

Steve Lebsock, *Court battle over design patents could affect Colorado economy*, THE BUSINESS TIMES (Nov. 17, 2015), http://thebusinesstimes.com/court-battle-over-design-patents-could-affect-colorado-economy/ 49

STEWART RAPALJE & ROBERT L. LAWRENCE, A DICTIONARY OF AMERICAN AND ENGLISH LAW (1888) 30

THEODORE SEDGWICK, A TREATISE ON THE MEASURE OF DAMAGES (7th ed. 1880) 36, 37

Tony Dutra, *Design Patents Up, But Samsung Case Ruling Could Bring Down*, BLOOMBERG BNA (April 20, 2016), http://www.bna.com/design-patents-samsung-n57982070078/ 51

TABLE OF AUTHORITIES—Continued

Page(s)

U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE (9th ed. Nov. 2015) 55

Vintage Mobiles, GSM HISTORY, http://www.gsmhistory.com/vintage-mobiles/ 5

WEBSTER'S COMPLETE DICTIONARY OF THE ENGLISH LANGUAGE (1880 ed.) 29, 31

WILLIAM D. SHOEMAKER, PATENTS FOR DESIGNS (1929) 31

WILLIAM L. SYMONS, THE LAW OF PATENTS FOR DESIGNS (1914) 17, 18

INTRODUCTION

The Federal Circuit interpreted Section 289 of the Patent Act as requiring Samsung to pay its entire profits on eleven smartphones for infringing Apple's narrow design patents on portions of a smartphone's front face and a grid of colorful icons on a single display screen. There is no dispute that Samsung's phones embody hundreds of thousands of other patented features that Apple does not own, or that consumers buy smartphones for their functional technologies—their apps, their cameras, their web capabilities, their navigation functions—and not as decorative objects to be used as paperweights or hung on a wall.

But the Federal Circuit read Section 289 as entitling a design-patent holder to nothing less than the entire profits on a product bearing a patented design—no matter how minor the component to which the design is applied and no matter how little the design contributes to the product's overall value. Under the Federal Circuit's rule, an infringer of a patented cup-holder design must pay its entire profits on a car, an infringer of a patented marine-windshield design must pay its entire profits on a boat, an infringer of a patented, preinstalled musical-note icon design must pay its entire profits on a computer, and so on.

The Federal Circuit's entire-profits rule conflicts with the text, history, and purpose of Section 289. In authorizing an infringer's profits remedy for design-patent infringement, Section 289 is naturally read to limit any such recovery to total profit from the "article of manufacture" to which the design is "applied" and to total profit "made from the infringement." Under those two clear textual limitations, recovery for infringement of a claimed design that covers only a

component of a product is limited to total profit from the component, not total profit from the product.

The relevant legislative history confirms that, in enacting Section 289's predecessor, Congress intended no wholesale departure from the traditional principles of causation and equity that inform all of patent law To the contrary, the proponents of the 1887 Patent Act stated that they intended no such result, but aimed merely to afford meaningful recovery to holders of design patents for carpets, wallpapers and oil-cloths. While Congress determined that such articles derive their value from their design, it made no similar assumption about complex products like smartphones, whose value is overwhelmingly driven by functionality.

The Federal Circuit's automatic entire-profits rule would have disastrous practical consequences that Congress surely did not intend. The rule would create extreme asymmetry between design patents and utility patents, which are governed by ordinary rules of causation and proportionality. By making the most trivial design patent worth exponentially more than the most innovative utility patent, the rule would distort the patent system and harm innovation and competition. The rule would encourage companies to divert research and development from useful technologies to ornamental designs. It would encourage design-patent holders to litigate even weak infringement claims in a quest for outsized awards. And it would encourage non-practicing entities to use design patents as the next big thing for extracting holdup value from targeted businesses, with such extortionate demands posing especially grave threats to small businesses for whom a single design misstep could be

an existential threat. Congress could not have intended any of these results.

The judgment below should be reversed or at a minimum vacated and remanded for new trial.

OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the Federal Circuit (Pet. App. 1a-36a) is reported at 786 F.3d 983. The order of the court of appeals denying rehearing *en banc* (Pet. App. 154a-155a) is unreported. The order of the U.S. District Court for the Northern District of California denying in relevant part Samsung's post-trial motion for judgment as a matter of law, new trial or remittitur (Pet. App. 114a-153a) is reported at 926 F Supp. 2d 1100. The district court's order denying similar motions after partial retrial (J.A. 340-47) is unreported but available at 2014 WL 549324 (N.D. Cal. Feb. 7, 2014).

JURISDICTION

The court of appeals denied rehearing *en banc* on August 13, 2015. Pet. App. 154a-155a. Samsung filed its petition for a writ of certiorari on December 14, 2015, pursuant to the Chief Justice's order extending the time in which to file. The Court granted the petition on March 21, 2016, limited to the second question presented therein (Pet. i).

The Court has jurisdiction under 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

U.S. Constitution art. I, § 8, cl. 8 provides in pertinent part that:

> The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Relevant provisions of the Patent Act, 35 U.S.C. 1, et seq., are reproduced at Pet. App. 156a-158a.

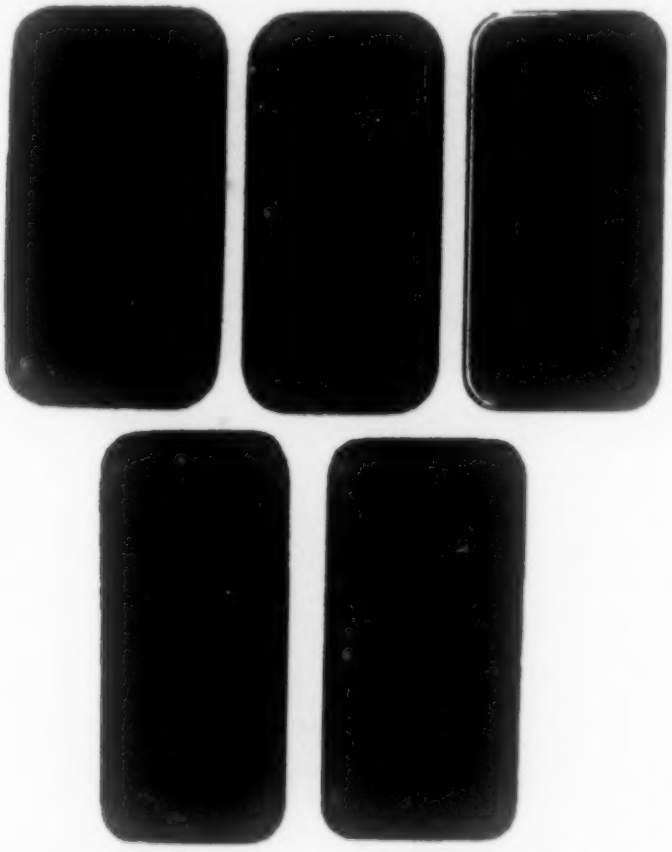
STATEMENT

This case arises from the award of $399 million—the entirety of Samsung's profits on eleven accused smartphones—for infringement of two narrow Apple design patents. Samsung faces the potential award of its entire profits on an additional five phones in a partial damages retrial that has been stayed pending resolution of the question presented here. The courts below held that Section 289 of the Patent Act automatically entitles a design-patent holder to an award of the infringer's total profit on the entire product as sold—no matter how partial the patent or how limited the contribution of the patented feature to the product's value or sales.

A. Factual Background

As this Court has acknowledged, smartphones have become "a pervasive and insistent part of daily life" for "a significant majority of American adults." *Riley v. California*, 134 S. Ct. 2473, 2484 (2014). Samsung has long been an industry leader in the field of mobile

phones, which it has made and sold since 1988.[1] Samsung was the first mobile-phone manufacturer, for example, to introduce devices that incorporated cameras, MP3 music players, and voice recognition.[2] Before Apple's iPhone ever entered the market, Samsung had developed mockups and prototypes for round-cornered rectangular flat-screened smartphones, including ones that showed grids of icons:



J.A. 248-56; J.A. 264; J.A. 506; *see* J.A. 260; J.A. 523.

---

[1] *See Samsung Handsets Through The Ages: A Photo Tour of Phone Firsts*, ZDNET (May 28, 2015), http://www.zdnet.com/pictures/samsung-handsets-through-the-ages-a-photo-tour-of-phone-firsts/.

[2] J.A. 136-37; *see also Vintage Mobiles*, GSM HISTORY, http://www.gsmhistory.com/vintage-mobiles/.

Apple, by contrast, was a latecomer to the mobile-phone industry, announcing the iPhone in January 2007 and launching it in June 2007.[3] And while Samsung launched around 50 new models a year, at times selling over 100 different phone models at once through numerous carriers (J.A. 133; J.A. 143-44), Apple offered only one new product a year, selling only through AT&T until it slowly added other carriers years later (J.A. 133; J.A. 139-40).

The three narrow Apple design patents at issue in this case claim only partial features of a smartphone's design. While Apple often speaks as if the patents cover the "iconic" "look and feel" of the entire iPhone, the patents in fact claim neither something "iconic" nor any kind of "look and feel." They rather claim only the limited subject matter depicted within the solid lines in the drawings below. The broken lines indicate features that Apple specifically disclaims—or in other words, that Apple concedes are outside the patents' protected scope.

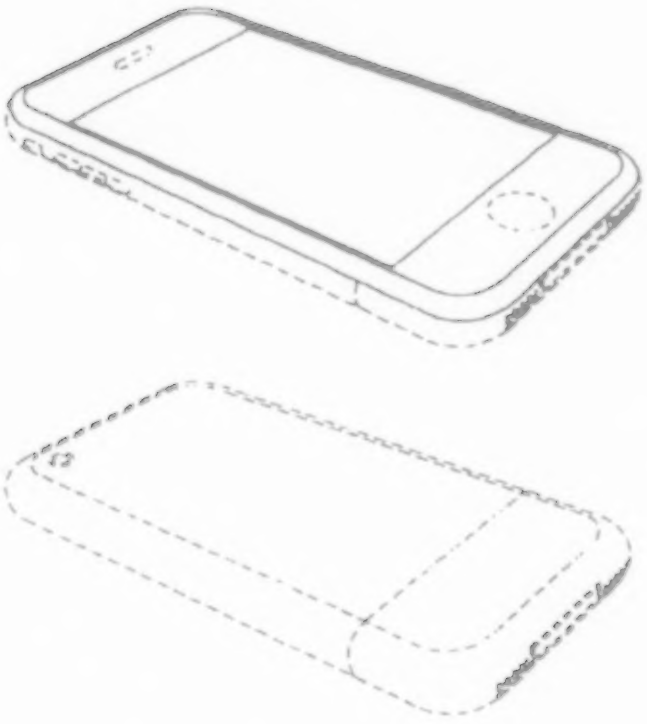
Apple's D618,677 ("D'677") patent claims a black, rectangular front screen face with rounded corners but specifically disclaims the surrounding rim or "bezel," the circular home button on the front, and the sides, top, bottom and back of the device (*i.e.*, the rest of the phone):

---

[3] *E.g.*, Mike Musgrove, *Apple Seeks To Muscle Into Telecom With iPod Phone*, WASHINGTON POST, Jan. 10, 2007, at D1, *available at* http://www.washingtonpost.com/wp-dyn/content/article/2007/01/09/AR2007010900698.html.

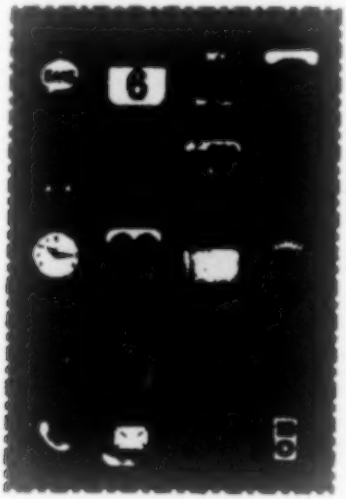
J.A. 577

Apple's D593,087 ("D'087") patent, like the D'677, claims a rectangular front face with rounded corners, minus the black shading and with the addition of a bezel; the patent specifically disclaims the sides, back, top, and bottom of the device (*i.e.*, the rest of the phone), as well as features on the front, such as the circular home button:



J.A. 544.

Apple's D604,305 ("D'305") patent claims a specific grid of colorful icons that may appear on one of the many graphical user interface screens a phone may display; the patent specifically disclaims every attribute of a smartphone except that specific display:



J.A. 564.

At trial, Apple's experts repeatedly confirmed that each of the asserted design patents claims only narrow, specific portions of a smartphone's overall design. *See, e.g.*, J.A. 149-53 (Bressler) (D'677 and D'087); J.A. 169-70, 174-76 (Kare) (D'305).

Apple made no effort below to prove that Samsung's entire profits on the accused phones resulted from the narrow design features claimed in its three design patents. Nor could it, for Apple has never disputed that smartphones derive their value principally from functionality. For example, in patent license discussions preceding this lawsuit, Apple asserted to Samsung that "*[s]oftware* creates the largest share of product value" and that the "[o]perating system, applications, user interface, and services are the key to a differentiated customer experience." J.A. 494 (some emphasis omitted).

Moreover, the undisputed evidence in the record shows that consumers purchased Samsung and other Android[4] phones overwhelmingly because of their functional, *non*-design features. For example, Apple's own market research showed that purchasers of Android phones valued the functional and other *non*-design features those phones offered, including (i) larger screens, (ii) choice of wireless carrier, (iii) trust in the Google brand, (iv) the Android app market, (v) integrated Google services, and (vi) turn-by-turn GPS navigation. J.A. 486-87 Apple's own customers, moreover, rated the iPhone's functional features like web capabilities, ease of use, availability of apps, and

---

[4] Android is an operating system for mobile devices, developed by Google and available for free use by manufacturers. *See, e.g.*, Clark D. Asay, *Copyright's Technological Interdependencies*, 18 STAN. TECH. L. REV. 189, 228-29 (2015).

improved battery life as more valuable than "attractive appearance and design." J.A. 465-68; J.A. 474. And, according to additional Apple market data, a phone's "design" in general was a reason for only 1% of Apple purchases and 5% of Android purchases, far below other considerations such as services, multimedia functions, ease of use, and brand. J.A. 355; J.A. 505.

Apple's survey data about smartphone purchases across the industry likewise showed that the top features consumers valued were screen quality, access to email and the web, larger screens, operating system, brand, video cameras, GPS location services and navigation, video conferencing, and multiple cameras. J.A. 485. Although third-party data also showed that "physical design" rated as having 23% importance in consumer purchasing decisions for smartphones, that category predominantly comprised considerations like the size or brightness of the display screen, or the size and weight of the phone itself. J.A. 438. In contrast, "visual appeal" had just 5% importance overall. *Id.*

Finally, Samsung's chief strategy officer confirmed that, after Samsung adopted Google's Android operating system for its flagship Galaxy products and began offering larger screens than Apple, its share of the smartphone market rose considerably. J.A. 144-47; *see also* J.A. 231-32; J.A. 302.[5]

---

[5] *See also, e.g.*, Alex Cocotas, *Samsung Maintains Lead In The Smartphone Market, Despite iPhone 5*, BUSINESS INSIDER AUSTRALIA (Feb. 9, 2013), http://www.businessinsider.com.au/samsung-is-the-smartphone-king-2013-2; Kent German, *A Brief History of Android Phones*, CNET (Aug. 2, 2011), http://www.cnet.com/news/a-brief-history-of-android-phones/.

B. Statutory Background

Section 289 of the Patent Act codifies, as modified, a provision added to the Patent Act in 1887 The history of the provision warrants brief review.

1. Patent Acts Prior To 1887

The earliest Patent Acts provided only for remedies at law. *See, e.g.*, Act of April 10, 1790, Ch. 7, § 4, 1 Stat. 109, 111. In 1819, Congress provided for injunctive relief for patent infringement. *See* Act of Feb. 15, 1819, Ch. 19, 3 Stat. 481. Equity courts held that they could also award an accounting of infringer's profits. *See, e.g.*, *Stevens v. Gladding*, 58 U.S. 447, 455 (1855). In 1870, Congress provided that equity courts could also award legal damages in patent cases. *See* Act of July 8, 1870, Ch. 230, § 59, 16 Stat. 198, 207

While the holder of a patent claiming an entire machine could recover in equity profits on the entire machine, *e.g.*, *Dean v. Mason*, 61 U.S. 198, 203 (1857), the holder of a partial ("improvement") patent was required "'to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features,'" or to show that "'the profits and damages are to be calculated on the whole machine, for the reason that the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.'" *Garretson v. Clark*, 111 U.S. 120, 121 (1884) (quoting *Garretson v. Clark*, 10 F Cas. 40, 44 (C.C.N.D.N.Y. 1878)).

2. The *Dobson* Cases

In 1885, a consolidated set of design-patent cases reached this Court. *See Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885); *see also Dobson v. Dornan*,

118 U.S. 10 (1886). The patent-holders sought to enforce patents claiming intricate carpet designs. *See Dobson*, 114 U.S. at 440.[6] Having initially sought disgorgement of infringer's profits as well as legal damages, *id.* at 441, the plaintiffs waived all claim for infringer's profits because the defendants had made no profits, and each thus sought only lost-profits damages, *id.* at 441-43. A special master rejected the plaintiffs' efforts to prove those damages by multiplying the number of infringing units the defendants had sold by the plaintiffs' own profit margins, and thus awarded nominal damages of six cents per patent. *Id.* at 441-42. The circuit court reversed. *Bigelow Carpet Co. v. Dobson*, 10 F 385 (C.C.E.D. Pa. 1882).

This Court reversed the circuit court and reinstated the special master's award, finding the proof insufficient to show non-speculative lost profits. *Dobson*, 114 U.S. at 444-47; *see also Dobson*, 118 U.S. at 16-18 (similar). Citing *Garretson*, the Court held that the patent-holders had failed to show, as a basis for calculating their lost profits, either the likelihood that they would have sold the same number of carpets as defendants had or the "value which the designs contributed to the carpets." *Dobson*, 114 U.S. at 443.

3. The Patent Act Of 1887

In response to concerns about the *Dobson* cases, Congress enacted the Patent Act of 1887. The act

---

[6] The carpet patents, U.S. Patent Nos. D6,822 (filed Aug. 8, 1873); D10,778 (filed July 24, 1878); D10,870 (filed Sept. 10, 1878); and D11,074 (filed Feb. 12, 1879), are available at http://pdfpiw.uspto.gov/.piw?Docid=D0006822; http://pdfpiw.uspto.gov/.piw?Docid=D0010778; http://pdfpiw.uspto.gov/.piw?Docid=D0010870; and http://pdfpiw.uspto.gov/.piw?Docid=D0011074, respectively.

added the following civil remedy for design-patent infringement:

> [H]ereafter, during the term of letters patent for a design, it shall be unlawful for any person other than the owner of said letters patent, without the license of such owner, to apply the design secured by such letters patent, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or to sell or expose for sale any article of manufacture to which such design or colorable imitation shall, without the license of the owner, have been applied, knowing that the same has been so applied. Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars....
>
> [N]othing in this act contained shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any owner of letters patent for a design, aggrieved by the infringement of the same, might have had if this act had not been passed; but such owner shall not twice recover the profit made from the infringement.

Act of Feb. 4, 1887, Ch. 105, §§ 1, 2, 24 Stat. 387, 387-88.

The legislative history reveals three key points. *First*, the act's proponents viewed the new statute as applying to decorative items like "carpets and wall-papers and oil-cloths." H.R. REP. NO. 49-1996, at 3 (1886); *see* 18 CONG. REC. 834-36 (1887) (House floor debate referring repeatedly to carpets, oil-cloths and wall-papers). The act's proponents expressly assumed that designs drove consumer demand for those goods. *See* 18 CONG. REC. 835 (statement of Rep. Martin) ("[I]f it had not a design which attracted the eye and made it desirable, then no one would think of buying the carpet.").

Second, the act's proponents were concerned that proof difficulties left holders of design patents on goods like carpets with "no effectual money recovery for infringement," H.R. REP. NO. 49-1966, at 1, discouraging applications for design patents, *see id.*; S. REP. NO. 49-206, at 1 (1886). Thus, they provided for a statutory floor of $250 "in liquidated damages." 18 CONG. REC. 836 (statement of Rep. Martin).

Third, the act's proponents assured potential opponents that they intended no departure from ordinary principles of causation and equity. For example, when Representative Hammond asked whether entire profits could be awarded "whether those profits arise from the use of the design alone or from various other circumstances which may enter into the manufacture," Representative Martin replied that "no such purpose was had in view by anyone who favored or urged the passage of the bill." *Id.* at 835. And when Representative Hammond asked whether "the plaintiff may recover the entire profit upon the article of product, without any proof that this arises from the use of the design in question," Representative Martin

responded, "I can not put any such construction on this law." *Id.*

Moreover, in floor debate, several speakers emphasized that the proposed act, which contained an express knowledge requirement, was limited to cases of "willful" appropriation of a patented design. *Id.* at 836 (colloquies between Representative Martin and Representatives Butterworth and Croxton).

4. The Patent Acts Of 1922 And 1946

In 1922, Congress revised the general remedies provision for patent infringement to allow a "reasonable sum" rather than nominal damages as the floor for actual damages. Act of Feb. 21, 1922, Ch. 58, § 8, 42 Stat. 389, 392.

In 1946, Congress further amended the general patent remedies provision to establish a "reasonable royalty" as a statutory floor for patent infringement damages under what is now 35 U.S.C. 284. Act of Aug. 1, 1946, Ch. 726, § 1, 60 Stat. 778. The 1946 Act also eliminated infringer's profits as a general patent remedy, *see Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505-06 (1964) (plurality opinion), but made no change to the design-patent infringer's-profits provision.

5. The Patent Act Of 1952

In 1952, Congress revised and codified various provisions of the Patent Act. The amended version of the design-patent infringer's profits provision, codified at 35 U.S.C. 289, states:

> Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for

> the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

Act of July 19, 1952, Ch. 950, § 289, 66 Stat. 792, 813-14.

Like its 1887 predecessor, Section 289 imposes liability on one who "applies" a design to an "article of manufacture," provides a $250 statutory floor for recovery, and specifies that a patent-holder may not "twice recover the profit made from the infringement." The 1952 statute, however, differs from its 1887 predecessor in two notable respects. *Compare id. with* Act of Feb. 4, 1887, 24 Stat. at 387-88.

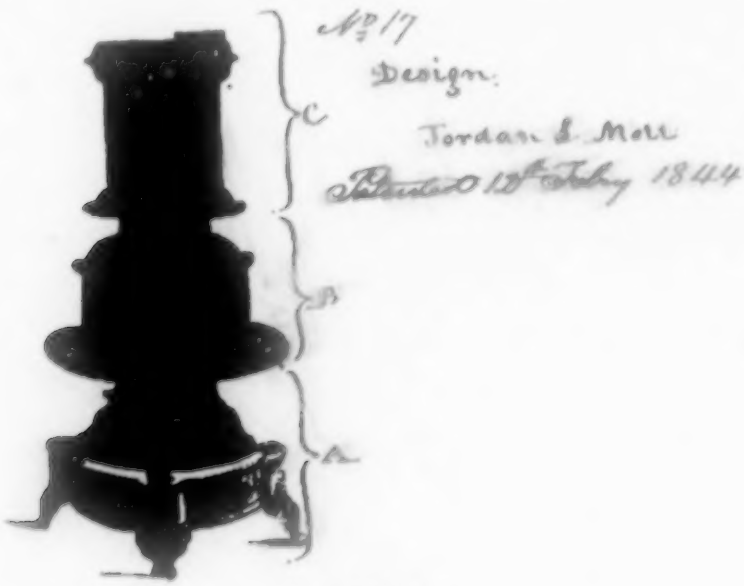
First, the 1952 statute strikes the phrase "knowing that the same has been so applied," making Section 289 a strict-liability provision and eliminating the willfulness requirement that had played an important role in the 1887 congressional debate.

Second, the 1952 statute eliminates reference to "the total profit made ... from the manufacture or sale ... of the article or articles to which the design ... has been applied," instead adding the words "to the extent of ... total profit." By eliminating "manufacture or sale" as the source of that total profit, Section 289 left

in place only the guidance that "total profit" must be profit made from the relevant "article of manufacture" and "the profit made from the infringement."

C. Regulatory Background

Section 171 authorizes issuance of a patent to "[w]hoever invents any new, original and ornamental design for an article of manufacture." 35 U.S.C. 171. The Patent Office in the nineteenth century allowed a design-patent application to include a written claim for the entirety of a product's design and additional written claims for discrete portions of the design. *See, e.g.*, *Root v. Ball*, 20 F. Cas. 1157, 1158 (C.C.D. Ohio 1846); WILLIAM L. SYMONS, THE LAW OF PATENTS FOR DESIGNS 88-91 (1914) ("SYMONS"). For example, Design Patent No. 17 for the ornamental design of a stove included separate written claims for the top, middle, and bottom segments of a single stove design:

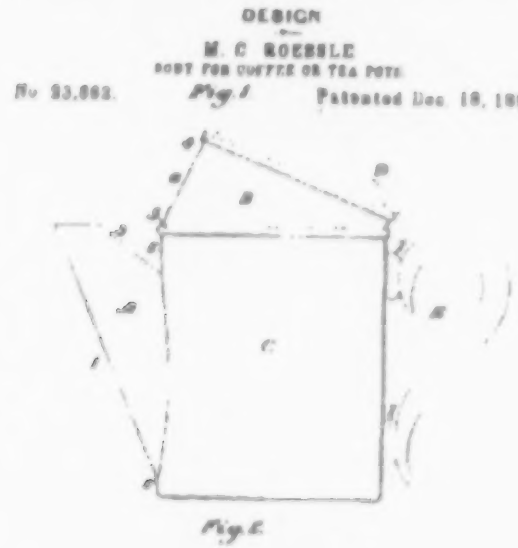


D17[7]

[7] U.S. Patent No. D17 (issued July 12, 1844), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0000017

The practice of including multiple written claims lasted until *Ex parte Wiessner*, 1898 Dec. Comm'r Pat. 236, which ruled that multiple claims in a single design patent were no longer permissible. *See* SYMONS, at 88. Patent Office practice today allows only a single claim per design patent, with the claim defined by the drawing. 37 C.F.R. 1.153 ("No description, other than a reference to the drawing, is ordinarily required. ... More than one claim is neither required nor permitted.").

The Patent Office soon began allowing design patents to use a combination of full and dotted lines, with the full lines depicting the claimed portion of the product design and the dotted lines denoting portions disclaimed by the patent. *See* SYMONS, at 95. For example, Design Patent No. D23,882, for the body of a coffee or tea pot, used dotted lines for the lid and handle "to indicate the appearance of a complete pot" though they formed "no part of the present design":


DESIGN

M. C. ROESSLE

BODY FOR COFFEE OR TEA POT.

No. 23,882. Fig. 1 Patented Dec. 18, 1894.

Fig. 2.

D23,882[8]

---

[8] U.S. Patent No. D23,882 (filed Nov. 21, 1894), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0023882.

The practice of partial claiming—*i.e.*, patenting a design that covers only a portion of a product—has thus been permitted for well over a century. In 1980, the Federal Circuit's predecessor expressly approved the practice, holding that "the statute is not limited to designs for complete articles, or 'discrete' articles, and certainly not to articles separately sold." *In re Zahn*, 617 F.2d 261, 268 (C.C.P.A. 1980). Partial claiming enables issuance of multiple design patents claiming discrete portions of a single product. *See, e.g.*, Perry J. Saidman, *The Crisis in the Law of Designs*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 301, 319-22 (2007).

D. Proceedings Below

1. District Court Proceedings

Apple filed this action in the U.S. District Court for the Northern District of California in 2011, alleging that 19 Samsung smartphones infringed the D'677, D'087 and/or D'305 patents.[9] After a jury trial and a partial retrial on damages, the juries awarded Samsung's entire profits on eleven smartphones to Apple for design-patent infringement. J.A. 279-80; J.A. 339; J.A. 349-50; Pet. App. 116a, 133a, 150a-151a. Of those eleven phones, six were found to infringe only the D'305 patent and four were found to infringe only the D'677 patent.[10]

---

[9] Apple also asserted dilution of certain of its unregistered and registered trade dresses, and infringement of certain of its utility patents. Those aspects of the case are not at issue here.

[10] J.A. 273-76. The Captivate, Continuum, Droid Charge, Epic 4G, Gem, and Indulge were found to infringe only the D'305 patent. The Galaxy S II (AT&T), Galaxy S II (Epic 4G Touch), Galaxy S II (Skyrocket), and Galaxy S II (T-Mobile) were found to infringe only the D'677 patent. Only the Infuse 4G was found to infringe both the D'305 and D'677 patents. The D'087 patent

The district court (Koh, J.) repeatedly rejected Samsung's attempts to limit any profits award under Section 289 to total profit attributable to infringement of Apple's narrow claimed designs.

First, the district court excluded Samsung's expert evidence calculating the portion of Samsung's profits attributable to design and to the patented features, ruling that any "apportionment of damages [is] in clear contravention of 35 U.S.C. § 289." J.A. 87 Had Samsung's expert been permitted to testify in full, he would have concluded—based on Apple's own research showing that consumers valued such non-design features as choice of cellular carrier, price, brand, multimedia functionality, ease of use, size of screen, web capabilities, and camera quality more highly than design, *see* J.A. 25-55; J.A. 67-85; J.A. 465-68; J.A. 474—that at most 5% of Samsung's total profit per phone could be linked to design in general, with at most 1% attributable to the specific claimed designs. J.A. 81; J.A. 83-85.

Second, the district court rejected Samsung's proposed jury instructions limiting any total profit award to the amount attributable to infringement of a patented design and the article of manufacture to which the design is applied. J.A. 246-47 The first (No. 42) would have instructed the jury to award only profit "that is attributable to whatever infringement you have found." J.A. 203-04. The second (No. 42.1) would have instructed the jury:

> [Y]ou should award only those profits which were derived from the article of manufacture to which Apple's patented design was applied.

---

was not the basis for any part of the $399 million award but is at issue in a stayed partial retrial on remand. *See infra*, at 24 n.13.

> The article to which Apple's design was applied may be the same as or different from Samsung's devices as sold because devices offered for sale may incorporate a single article of manufacture or several articles of manufacture. The article of manufacture to which a design has been applied is the part or portion of the product as sold that incorporates or embodies the subject matter of the patent. Where the article of manufacture is a case or external housing of the device, then only the profits from the sale of the case or external housing of the device should be awarded. Under these instructions, an award of profits for design patent infringement should not include profits earned from the technology by which the devices operate or from any other functions of the devices.

J.A. 206-07 (citing *Bush & Lane Piano Co. v. Becker Bros.*, 222 F 902, 904 (2d Cir. 1915)).

Instead, the district court instructed the jury that, "[i]f you find infringement by any Samsung defendant ..., you may award Apple that Samsung Defendant's *total profit attributable to the infringing products*." Pet. App. 165a (emphasis added). The instruction then stated that the "total profit" of any Samsung defendant "means the entire profit on" the phone and "not just the portion of profit attributable to the design or ornamental aspects covered by the design." *Id.*[11]

---

[11] *See also* J.A. 268 (Instruction No. 53) ("In relation to design patents, Apple ... may elect to prove the defendant's profits as its measure of potential recovery with respect to the sale of each unit of an *infringing product*.") (emphasis added).

Third, the district court ruled, on post-trial motions, that the jury had properly awarded "all of Samsung's profits on the design-patent-infringing products," finding any lesser amount "clearly foreclosed by Federal Circuit precedent." Pet. App. 133a. The district court ruled the same way on post-trial motions following a partial damages retrial resulting from errors not relevant here. J.A. 347 n.8. There is no dispute that the combined design-patent judgments from the two trials awarded Apple $399 million—Samsung's entire profits on eleven smartphones. J.A. 348-50.[12]

2. The Federal Circuit Decision

The Federal Circuit affirmed the design-patent infringement judgment (Pet. App. 19a-27a) as well as the $399 million profits award for that infringement (Pet. App. 27a-29a). The Federal Circuit rejected Samsung's argument that any profits award should be limited to profits from "the portion of the product as sold that incorporates or embodies the subject matter of the patent." Pet. App. 29a. The court held that Section 289's "clear statutory language prevents us from adopting a 'causation' rule," even if that "makes no sense in the modern world." Pet. App. 28a & n.1.

The court rejected Samsung's reliance on *Bush & Lane Piano Co. v. Becker Bros.*, 222 F 902 (2d Cir.

---

[12] The parties' damages experts disagreed as to whether Samsung's entire profits on the phones should be measured as gross or operating profits. *Compare* J.A. 190-95 (Apple's expert Terry Musika calculating profit as revenues minus costs of goods sold) *with* J.A. 221-26 (Samsung's expert Michael Wagner calculating profit as revenues minus costs of goods sold minus operating expenses). The jury chose operating profit as the proper measure, and thus multiplied Apple's expert's gross-profit numbers by 40 percent to arrive at Samsung's entire operating profits per phone. *See* Pet. App. 127a-130a.

1915) ("*Piano I*"), and *Bush & Lane Piano Co. v. Becker Bros.*, 234 F 79 (2d Cir. 1916) ("*Piano II*") (together, the *Piano Cases*). In those cases, the Second Circuit, interpreting Section 289's predecessor, limited profits for infringement of a patented design for a piano case to total profit on the case, not total profit on the entire piano. The Federal Circuit reasoned that, unlike a piano and a piano case, the "innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers." Pet. App. 29a. That reasoning overlooked that the *Piano Cases* had rejected that very argument. *See Piano II*, 234 F. at 83 (noting that the argument that pianos and piano cases were separately marketed was "unsupported by the evidence" and holding, in any event, that the existence of a "separate market ... makes no difference in the rule of law").

The Federal Circuit also read its own prior decision in *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437 (Fed. Cir. 1998), as precluding any ruling that infringer's profits under Section 289 should be "limited to the profit attributable to the infringement." Pet. App. 27a. The court omitted to note that *Nike* did not address the scope of infringer's profits under Section 289, but instead considered only whether infringer's profits constitute "damages" for purposes of Section 287(a)'s marking requirement. *See* 138 F.3d at 1439, 1443.

The Federal Circuit made no attempt to reconcile its interpretation with the statutory language specifying that the patent-holder "shall not twice recover the profit made from the infringement." 35 U.S.C. 289.

The Federal Circuit denied rehearing *en banc*. Pet. App. 154a-155a.[13]

SUMMARY OF ARGUMENT

I. Section 289 of the Patent Act authorizes the award of infringer's profits for design-patent infringement. The Federal Circuit interpreted that provision, if elected as a remedy, as automatically requiring disgorgement of an infringer's entire profits from the product bearing a patented design—no matter how complex the product and no matter how minor the patented design in relation to the product as a whole. The Federal Circuit thus affirmed a judgment requiring Samsung to pay its entire profits on eleven smartphones for infringing Apple's narrow, partial design patents on portions of a phone's front face and a grid of icons on a single display screen.

A. The text of Section 289 compels reversal. Section 289 provides that a design-patent infringer may be liable "to the extent of his total profit." But that obviously cannot mean all of a company's worldwide profit. It also cannot mean all profit on an entire product as sold if the relevant design patent applies only to a minor component of the product. To the contrary, Section 289 limits recoverable total profit to that attributable to the "article of manufacture" to which an infringing design is "applied." Such an

---

[13] On remand from the decision below, Samsung faces a potential entire-profits award on five additional phones for infringing any of the three design patents at issue (the D'677, the D'087, or the D'305) in a partial damages retrial resulting from the Federal Circuit's reversal (Pet. App. 6a-18a) of Samsung's trade-dress liability on those phones. That trial is stayed, along with supplemental damages proceedings, pending this Court's decision. Dist. Ct. Dkt. No. 3472 at 1-2.

article need not be the entire product as sold; many discrete "articles of manufacture" may be combined into such a product. Section 289 also limits recoverable total profit to that "made from the infringement." That limitation precludes the award of profit not attributable to infringement of the patented design. Any doubt that these two textual provisions limit the profits available under Section 289 is resolved by the presumption that Congress intends to follow background principles of causation and equity absent a clear statement to the contrary. In enacting Section 289 and its predecessors, Congress made no such clear statement.

B. The legislative history confirms that Congress intended no radical departure from background principles of causation and equity in enacting Section 289. In enacting the predecessor statute in 1887, Congress sought to ensure that holders of design patents for carpets, wallpapers, and oil-cloths would receive more than nominal damages from counterfeiters who infringed their patented designs. Congress assumed that "designs are the principal feature" of such articles and that, as to a decorative carpet or wallpaper, "it is the design that sells the article." Congress never suggested that the same assumption would hold for complex products like smartphones, which (unlike carpets) embody hundreds of thousands of functional features having nothing to do with any patented design. To the contrary, the congressman speaking for the House Patent Committee stated that he could "not put any such construction" on the 1887 Act. Legislative developments since 1887 have only reconfirmed that Section 289 limits any total profit award to the total profit attributable to infringement of the patented design.

C. The Federal Circuit's automatic entire-profits rule, if not reversed, would have disastrous practical consequences that Congress cannot have intended. It would invite such wildly disproportionate results as the award of the entire profits on a car for infringement of a patented cup-holder design. It would also potentially generate multiple recoveries by holders of multiple design patents all claiming discrete portions of a single product as sold—or at a minimum, a race to the courthouse to see who can obtain the first outsized award. By making design patents exponentially more valuable than utility patents, the automatic entire-profits rule would discourage innovation and competition, encourage companies to divert resources from new and useful technologies to ornamental designs, and pose the threat of crippling liability to businesses—especially small businesses—found to infringe even a single design patent.

II. Under the correct interpretation of Section 289, the judgment below should be reversed and entry of judgment directed for Samsung. The record contains no proof that all of the profits on Samsung's accused phones are attributable to the specific "articles of manufacture" to which Apple's patented designs were "applied"—namely, a phone's front face, front face with bezel, and single icon grid display. To the contrary, the undisputed evidence shows that consumers value far more highly such *non*-design features as apps, battery life, screen size and turn-by-turn navigation. The record likewise contains no proof that all of Samsung's profits were "made from the infringement" of Apple's narrow claimed designs as opposed to the countless other functional technologies that lead consumers to buy smartphones. At a minimum, a new trial is required under the proper interpretation of Section 289.

ARGUMENT

I. SECTION 289 ALLOWS ONLY TOTAL PROFIT ATTRIBUTABLE TO INFRINGEMENT OF THE PATENTED DESIGN

Section 289 provides that one who "(1) applies the patented design ... to any article of manufacture ..., or (2) sells or exposes for sale any article of manufacture to which such design ... has been applied shall be liable to ... the extent of his total profit, but not less than $250." 35 U.S.C. 289. It further provides that a design-patent holder remains free to pursue other remedies available under the Patent Act, "but he shall not twice recover the profit made from the infringement." *Id.*

In providing for a remedy "to the extent of [the infringer's] total profit," Section 289 sets forth "words of limitation." *John Hancock Mut. Life Ins. Co. v. Harris Trust & Sav. Bank*, 510 U.S. 86, 105 (1993). But the question remains, "total profit" from what? No one argues that the answer is Samsung's total profit on all its worldwide sales. Some lesser limitation must necessarily apply.

Three textual reasons compel the conclusion that recoverable "total profit" must be limited to total profit attributable to infringement of the patented design: (1) the text of the statute refers to the "article of manufacture" to which an infringing design is "applied"; (2) recoverable total profit must be that "made from the infringement"; and (3) the Patent Act is presumptively read in light of background principles of causation and equity. Section 289's legislative history supports the same conclusion, as does the fact that the Federal Circuit's automatic entire-profits rule

would have disastrous consequences that Congress could not possibly have intended.

A. The Text Of Section 289 Allows Only Total Profit Attributable To Infringement Of The Patented Design

Two phrases in the text of Section 289 clearly foreclose the Federal Circuit's entire-profits rule. *First*, the term "article of manufacture" is naturally read to mean an entire product only where the design is "applied" to the entire product, and not where (as here) the design is "applied" only to a component of the product. *Second*, the phrase "made from the infringement," which embodies basic principles of causation, is naturally read to limit recoverable profits to those attributable to infringement of the patented design. Were there any doubt about the proper interpretation of either phrase, they should be read in light of background principles of causation and equity that compel the same conclusion.

1. "Article Of Manufacture" To Which The Design Is "Applied"

Section 289 twice uses the term "article of manufacture" to mean that to which "the patented design" is or "has been applied." 35 U.S.C. 289. Section 171 similarly authorizes issuance of a design patent to one who "invents any new, original and ornamental design for an *article of manufacture*." 35 U.S.C. 171 (emphasis added). Thus, where a claimed design covers only a component of a product as sold (like a phone's front face, a cup-holder, or a marine windshield), the relevant "article of manufacture" is the component (the phone's front face, the cup-holder, or the marine windshield), and not the entire product (the phone, the

car, or the boat), and the relevant "total profit" is that attributable to the component.

The ordinary meaning of the terms "article," "manufacture," and "applied" at the time of the relevant enactments supports this interpretation. "Dictionaries from the era of ... enactment" are instructive. *Sandifer v. U.S. Steel Corp.*, 134 S. Ct. 870, 876 (2014).

Article. To the 1887 Congress, an "article" could be something less than an entire product as sold. The 1880 Webster's Dictionary defined an "article" as "[a] distinct part" or a "particular one of various things." WEBSTER'S COMPLETE DICTIONARY OF THE ENGLISH LANGUAGE 78 (1880 ed.) ("WEBSTER'S 1880"). The 1891 Black's Law Dictionary defined an "article" as "one of several things presented as connected or forming a whole." BLACK'S LAW DICTIONARY 92 (1st ed. 1891) ("BLACK'S 1ST"). Similar definitions would have been known to the 1952 Congress. *See* BLACK'S LAW DICTIONARY 143 (4th ed. 1951) ("BLACK'S 4TH") (same); *cf.* 17 U.S.C. 101 (recognizing that an "article" can be "part of" another useful article).

Manufacture. As the 1887 and 1952 Congresses likewise would have known, a "manufacture" too could be something less than an entire product as sold. The 1880 Webster's Dictionary defined a "manufacture" simply as "[a]ny thing made from raw materials by the hand, by machinery, or by art." WEBSTER'S 1880 at 810. The 1891 Black's Law Dictionary likewise defined "manufacture" as a "useful product made directly by human labor, or by the aid of machinery directed and controlled by human power." BLACK'S 1ST

at 751.[14] Thus, more than one manufacture could be combined to form a larger product. Pre-Federal Circuit precedent, for example, recognized that individual components of a building—such as "doors, windows, floors, supporting columns, wall construction, and other parts"—are each a "manufacture," no less than the building as a whole is a "manufacture." *Riter-Conley Mfg. Co. v. Aiken*, 203 F 699, 702 (3d Cir 1913). The same is true elsewhere in the Patent Act. For example, Section 271 defines as infringement the sale or importation of a "manufacture" that is "a *component* ... of a patented machine [or] manufacture." 35 U.S.C. 271(c) (emphasis added).

Article of Manufacture. As neither an "article" nor a "manufacture" need be the entirety of a device or product as ultimately sold, the same is true when the terms are taken in combination. An "article of manufacture" is simply a particular thing made by human skill. As the Commissioner of Patents explained in *Wiessner*, a patent applicant may claim "the entire design" for a product but may also claim, under separate design patents, designs for that product's components, which themselves may constitute "separate articles of manufacture." 1898 Dec. Comm'r Pat. at 242; *see id.* ("There is hardly a limit to the number of *articles* which may be united in a new idea of shape or configuration to form a new design ....") (emphasis added). Thus, as one early treatise noted, although

---

[14] *Accord Tide-Water Oil Co. v. United States*, 171 U.S. 210, 216 (1898) ("The primary meaning of the word 'manufacture' is something made by hand, as distinguished from a natural growth...."); 2 ALEXANDER M. BURRILL, A LAW DICTIONARY AND GLOSSARY 180 (2d ed. 1871) ("A thing made by art."); 2 STEWART RAPALJE & ROBERT L. LAWRENCE, A DICTIONARY OF AMERICAN AND ENGLISH LAW 791 (1888) ("Anything made by art").

some "articles cannot ... be separated into their constituent parts," many are subdivisible into numerous components constituting distinct "articles of manufacture" for purposes of Section 289. WILLIAM D. SHOEMAKER, PATENTS FOR DESIGNS 351-52 (1929).

Applied. To "apply" one thing to another is "[t]o use or employ [it] for a particular purpose." BLACK'S 1ST at 80.[15] Under Section 171, the purpose of a patented design is to give a specified "ornamental" appearance to an "article of manufacture."[16] The statute therefore does not protect non-ornamental designs, and features "concealed or obscure[d] in normal use" are not eligible for a design patent. *In re Stevens*, 173 F.2d 1015, 1016 (C.C.P.A. 1949). Thus, for example, a patented design for a smartphone's front face is "applied" only to the front face—and necessarily *not* to the circuits, microchips, speakers, processors and other internal, non-design features that give a smartphone its functionality. It follows that Section 289 allows awards only of that total profit attributable to the externally observable component to which the patented design is "applied."

---

[15] *See also* WEBSTER'S 1880 at 66 (same); BLACK'S 4TH at 128 (same).

[16] To be "ornamental," a design must provide "an aesthetically pleasing appearance." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989); *see also Gorham v. White*, 81 U.S. 511, 524-25 (1871).

Prior to the decision below, every relevant judicial decision interpreted Section 289's predecessor accordingly, holding that infringer's profits for design patents are limited to those from the article of manufacture to which the patented design was applied. For example, in the *Piano Cases*, the patented design claimed only a piano's external casing as depicted in the patent drawing, not a piano's internal structures or an entire piano:

D37,501[17]

See Piano I, 222 F. at 903-04; *Piano II*, 234 F at 81.

Asked "whether the profits made by the defendant should be the entire profits of the sales of the piano

---

[17] U.S. Patent No. D37,501 (filed June 8, 1905), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0037501.

and case or the profits upon the sale of the case which alone is the sole subject of the patent," *Piano I*, 222 F at 903, the Second Circuit answered unequivocally the latter, *id.* at 904; *Piano II*, 234 F. at 81-82 (citing *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 646 (1915)). Nor did the Second Circuit find relevant whether pianos and cases have separate commercial markets; to the contrary, what mattered was that the piano and the case "*are different articles*." *Piano II*, 234 F. at 82 (emphasis added). As the Second Circuit reasoned by way of analogy, a design patent "for a 'book binding'" cannot "be so identified with the entire book as to give all the profits on a work of literary genius to the patentee of a binding," even if "the binding was manufactured with and for that one book, and has no separate commercial existence." *Id.* at 81-82.

Similarly, in *Young v. Grand Rapids Refrigerator Co.*, 268 F. 966, 974 (6th Cir. 1920), the asserted design patents (Nos. D46,305 and D48,958) claimed designs for refrigerator latch casings—not for a refrigerator or even for the entirety of a latch. The Sixth Circuit rejected the notion that an infringer might owe the entire profits on a refrigerator bearing an infringing latch, explaining that the patent-holder had not even "seriously contended" that Congress had required such a disproportionate result. *Id.*

The Federal Circuit drew a similar distinction in *Trans-World Manufacturing Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552 (Fed. Cir. 1984), a multiple-article case where the plaintiff held a design patent for a display rack for eyeglasses. The court rejected the plaintiff's attempt to recover profits earned on sales of eyeglasses displayed on an infringing rack, explaining that "the patented design *has not been applied* to the

articles that Nyman sells—the eyeglasses—but only to the display racks." *Id.* at 1567 (emphasis added). Because the patented design was not "applied to" the eyeglasses, sales of eyeglasses furnished no basis for Section 289 infringer's profits. *Id.*

Thus, Section 289 does not authorize disgorgement of infringer's profits earned on sales of an entire product unless (unlike here) that *entire product* is the "article of manufacture" to which the patented design is "applied." Where (as here) the "article of manufacture" to which the design is "applied" instead is merely a component of that product, profits under Section 289 are textually limited to total profit from the component.

2. "Made From The Infringement"

Apart from the limitation that the term "article of manufacture" places on the remedy set forth in Section 289, the provision's final clause provides a complementary limitation by prohibiting a patentholder from "twice recover[ing] the profit *made from* the infringement." 35 U.S.C. 289 (emphasis added). That phrase embodies basic principles of causation and reinforces the interpretation that recoverable profits under Section 289 are limited to those attributable to infringement of the patented design. Nor does it matter that the phrase appears in the double-recovery clause: There would be no need to specify that Section 289 does not authorize a *double* recovery of the profit made from the infringement if the statute did not authorize a *single* recovery of the profit made from the infringement in the first place.

This Court enforced a similar limitation as to the Copyright Act of 1909 in *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390 (1940). There, the statute

entitled the copyright-holder to recover "all the profits which the infringer shall have *made from* [the] infringement." 17 U.S.C. 25(b) (1940) (emphasis added). While the statute thus provided "for recovery of '*all*' the profits," this Court held that such language was "plainly qualified by the words 'which the infringer shall have made from such infringement.'" 309 U.S. at 399. The "made from the infringement" language in Section 289 compels a similar limitation on the term "to the extent of his total profit."

3. Background Principles Of Causation And Equity

Were there any doubt about the above interpretation of Section 289's text (there is not), it is resolved by applying the canon that Congress is presumed to follow traditional background rules of causation and equity unless it clearly states otherwise. Section 289 evinces no clear congressional intent to make any wholesale departure from traditional principles of causation and equity.

A statute cannot "abrogate a common-law principle" unless it "speak[s] directly to the question addressed by the common law." *United States v. Bestfoods*, 524 U.S. 51, 63 (1998) (internal quotation marks omitted); *see Norfolk Redevelopment & Hous. Auth. v. Chesapeake & Potomac Tel. Co. of Virginia*, 464 U.S. 30, 35 (1983) ("clear and explicit" language is required to repeal a common-law rule) (internal quotation marks omitted). Patent infringement "is essentially a tort," *Carbice Corp. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931), and when Congress fashions a statutory tort, it "legislates against a legal background of ordinary tort-related ... rules and consequently intends its legislation to incorporate those rules." *Meyer v. Holley*, 537 U.S. 280, 285 (2003).

One such ordinary tort-related rule—indeed, a "cardinal" rule—is that compensation is limited to "the injury *caused* to plaintiff by defendant's breach of duty." *Carey v. Piphus*, 435 U.S. 247, 254-55 (1978) (emphasis added; citation and internal quotation marks omitted). This Court has repeatedly held that Congress intended to adopt common-law causation requirements in fashioning statutory torts.[18]

Similarly, in interpreting the Patent Act, any "'major departure from the long tradition of equity practice should not be lightly implied.'" *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388, 392 (2006) (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1982)). Causation is a basic principle of equity as it is at law. *See* RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 51(5) (2011) ("RESTATEMENT (THIRD)") ("In determining net profit the court may apply such tests of causation and remoteness ... as reason and fairness dictate, consistent with the object of restitution.").

These long-settled legal and equitable principles "hardly could have been foreign to the many lawyers in Congress" in 1887 and 1952. *Carey*, 435 U.S. at 255. Treatises from the 1887 Act's era explain that causation principles would be "applied to the construction of statutes," 1 THEODORE SEDGWICK, A TREATISE ON THE MEASURE OF DAMAGES 150-51 (7th ed. 1880), and that, in the absence of conduct so wrongful "as to give a

---

[18] *See, e.g.*, *Carey*, 435 U.S. at 255-56 (42 U.S.C. 1983); *Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 265-268 (1992) (RICO); *Dura Pharm., Inc. v. Broudo*, 544 U.S. 336, 343-45 (2005) (fraud under Securities Exchange Act); *Univ. of Texas Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517, 2524-25 (2013) (Title VII employment discrimination); *Paroline v. United States*, 134 S. Ct. 1710, 1718-20 (2014) (restitution under Violence Against Women Act).

right to exemplary or vindictive damages, the extent of remuneration is restricted ... to the immediate consequence of the illegal act," *id.* at 144. And in 1887, the equity courts had long limited both damages and profits in patent cases to amounts attributable to the infringement. *See Garretson*, 111 U.S. at 121-22. For instance, in *Littlefield v. Perry*, 88 U.S. 205 (1874), this Court held that an infringer's-profits award was limited to those "profits received by the defendant[] as the *direct result* of the use within the assigned territory of the several inventions involved in the case." *Id.* at 229; *see also, e.g.*, *Tilghman v. Proctor*, 125 U.S. 136, 146 (1888) ("The profits ... which he must account for, are not those which he might reasonably have made, but those which he did make, *by the use of* the plaintiffs' invention.") (emphasis added).

Likewise, the 1952 Congress would have understood that the equitable remedy of restitution should not amount to a penalty but rather enforces a duty to return "the value of the benefit thereby received." RESTATEMENT (FIRST) OF RESTITUTION § 136 (1937); *see* RESTATEMENT (THIRD) § 51(4) (noting that an accounting of profits is designed to avoid "the imposition of a penalty," and thus is limited to "the net profit attributable to the underlying wrong"). As this Court had stated just a decade earlier in interpreting the Copyright Act of 1909 "in accordance with the principles governing equity jurisdiction," infringer's profits are awarded "not to inflict punishment but to prevent an unjust enrichment by allowing injured complainants to claim that which ... is theirs, *and nothing beyond that*." *Sheldon*, 309 U.S. at 399 (emphasis added; internal quotation marks omitted).

Causation requirements universally govern disgorgement and other remedies elsewhere in intellec-

tual property law—whether for trademarks,[19] copyright,[20] or utility patents.[21] By using the phrase "to the extent of his total profit" in Section 289, Congress did not evince any clear intent to exempt design patents wholesale from this universal regime. At most, Congress relieved a holder of a design patent for a single-article product like a carpet of the need to prove that the patented design causes the value of the article to which it is applied. Thus a carpet design-patent holder need not show that the design (rather than the weave or fiber) caused the total profit on the carpet. But Congress did not address multicomponent products at all, much less relieve a holder of a design patent for a mere component of a multicomponent product of the obligation to show that the component caused the value of the entire product.

Reading Section 289 in conformity with background principles of causation and equity is further reinforced

---

[19] *See, e.g., Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205-06 (1942) (holding that the "plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark"); *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1408 (9th Cir. 1993) (holding that an accounting under 15 U.S.C. 1117(a) is intended to award profits only on sales that are "attributable to the infringing conduct").

[20] *See, e.g., Davis v. Gap, Inc.*, 246 F.3d 152, 160 (2d Cir. 2001) (holding that the term "gross revenue" under 17 U.S.C. 504(b) means "gross revenue reasonably related to the infringement, not unrelated revenues").

[21] *See, e.g., Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) (under 35 U.S.C. 284, a patent-holder seeking lost profits must establish "the sales and profits lost ... *because of* the infringement"); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010) (per curiam) (similar for reasonable royalty).

by the canon of constitutional avoidance. As far back as the late nineteenth century, scholars recognized that interpreting the design-patent profits remedy too broadly would lead to "absurd consequences or to unconstitutional results" by granting a remedy "wholly disproportioned to the wrong committed." Frederic H. Betts, *Some Questions Under the Patent Act of 1887*, 1 YALE L.J. 181, 189 (1892). The Patent Clause authorizes Congress to grant patentees "'an exclusive right to the profits arising from [their inventions].'" *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 9 n.2 (1966) (quoting Letter from Thomas Jefferson to Isaac McPherson (Aug. 1813), *in* VI WRITINGS OF THOMAS JEFFERSON, at 180-81 (Washington ed.)). But the Clause confers no similar authority to award design-patent holders vast profits *not* arising from their inventions, as the Federal Circuit read Section 289 to do here. To the contrary, the Patent Clause bars "enlarge[ment of] the patent monopoly without regard to the innovation, advancement or social benefit gained thereby." *Graham*, 383 U.S. at 5-6; *see Bonito Boats*, 489 U.S. at 146. The decision below thus raises serious constitutional questions that the statute should be "construed to avoid." *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502, 516 (2009).

B. Section 289's History Shows Congress's Purpose To Allow Only Total Profit Attributable To Infringement Of The Patented Design

1. The 1887 Congress Sought To Ensure Meaningful Recovery For Infringement Of Patented Designs By Decorative Articles Whose Value Was Driven By Design

Section 289's legislative history confirms the textual limitations on "total profit" discussed above. The 1887 Act was modeled on British patent-infringement statutes, *see* S. REP. NO. 49-206, at 2, which limited infringer's profits to "the profits which the defendants have *actually made by the infringement* of the patent." *Elwood v. Christy*, 144 Eng. Rep. 537, 538 (1865) (emphasis added); *see also id.* at 539 n.1. The legislative history makes clear that the act's proponents believed that the act embodied that basic causation principle.

Congress enacted the predecessor statute to Section 289 in 1887 in response to this Court's decisions in the *Dobson* cases. *See supra*, at 12-14. Congress was concerned that the *Dobson* decisions would eliminate any effective remedy for holders of design patents for decorative articles like "beautiful carpets, wall-papers and oil-cloths" by requiring that a patent-holder prove the value of the design as distinct from the value of non-design features in the article. *E.g.*, H.R. REP NO. 49-1966, at 1, 3; 18 CONG. REC. 834, 835 (statement of Rep. Martin).

Congress's response to the *Dobson* cases was based on its express assumption that "designs are the principal feature" of carpets, wallpapers, and oil-cloths. 18

CONG. REC. 835 (statement of Rep. Martin). As the House Patent Committee report stated, "it is the design that sells the article, and so that makes it possible to realize any profit at all." H.R. REP. NO. 49-1966, at 3. And as Representative Martin stated, speaking for the House Patent Committee, the patented design is what "add[s] value to carpeting, oil-cloths, wall-paper, and things of that sort," and "the advantages to which the manufacturers are entitled by reason of securing these designs, shall not be taken from them by infringements." 18 CONG. REC. 835 (statement of Rep. Martin).

Congress nowhere expressed any similar assumption with respect to a multicomponent product comprising (unlike a carpet) more than one article of manufacture. To the contrary, the legislative history refers repeatedly and exclusively to "beautiful carpets, wall-papers and oil-cloths." *E.g.*, H.R. REP. NO. 49-1966, at 3. When asked in floor debate "[t]o what particular kinds of designs" the bill applied, Representative Martin, speaking for the House Patent Committee, replied that "[i]t applies to designs for carpets, oil-cloth, wallpaper, &c." 18 CONG. REC. 834 (statement of Rep. Martin).

The 1887 Act's proponents were concerned that designs for decorative items like carpets and wall-paper were uniquely susceptible to counterfeiting:

> The patent is obtained for a certain figure, or figures, which will be employed in making carpet, or oil-cloth, or wall-paper, or anything of that kind. ...
>
> The moment he gets a patent for that design there must be left in the Patent Office a lithograph of it, and that lithograph can be

> obtained by anyone who wants if for a few cents. Those who infringe the patents purchase these lithographs of designs. They have a full description of the design and make an exact counterfeit, or imitation; so exact hardly any man can see the difference between them.

18 CONG. REC. 835 (statement of Rep. Martin).

The concern about counterfeiting reinforces that the proponents of the 1887 Act viewed the new remedy as embodying principles of causation. Congress determined that copying a design for a carpet or wallpaper was the cause of any profits a counterfeiter might make on the carpet or wallpaper. In contrast, proponents of the new remedy denied that it would abrogate long-accepted principles of causation in other cases.

Thus, when asked whether "the plaintiff may recover the entire profit upon the article of product, *without any proof that this arises from the use of the design*," Representative Martin, speaking for the House Patent Committee, responded that he "[could] not put any such construction on this law." 18 CONG. REC. 835 (emphasis added). And when pressed as to whether an infringer could be ordered to disgorge all of his profits "whether those profits arise from the use of the design alone or *from various other circumstances which may enter into the manufacture*," Representative Martin insisted that "*no such purpose* was had in view by any one [in the committee] who favored or urged the passage of the bill." *Id.* (emphasis added). As the House Report stated, under the new remedy, a design patent-holder should "recover[] nothing beyond" "the profit *made on the infringing article*." H.R. REP. NO. 49-1966, at 3 (emphasis added).

2. Post-1887 Legislative Developments Confirm Section 289's Narrow Purpose

Congress's subsequent amendments to the Patent Act make even clearer that Section 289, as codified in 1952, was not intended to impose the draconian penalty required by the Federal Circuit's entire-profits rule.

First, the 1922 and 1946 Acts provided a *reasonable royalty* as the floor for all patent infringement awards. *See* Act of Aug. 1, 1946, 60 Stat. 778; Act of Feb. 21, 1922, 42 Stat. at 392. Thus, by 1952, Congress had solved the problem that had prompted it to provide in the 1887 Act for a minimum of $250 in infringer's profits in the first place—namely, that design-patent holders might be left merely with nominal damages if unable to prove causation of lost or infringer's profits.

Second, the 1952 Act removed the 1887 Act's knowledge requirement, omitting the phrase "knowing that the [patented design] has been ... applied" to an article of manufacture. *Compare* Act of Feb. 4, 1887, 24 Stat. at 387 *with* Act of July 19, 1952, 66 Stat. at 813. The 1887 Congress had viewed the knowledge requirement as a vital safeguard. Proponents of the act assured the House that "no man will suffer either penalty or damage unless he willfully appropriates the property of another." 18 CONG. REC. 836 (colloquy between Representatives Butterworth and Martin). Congress did not explain its elimination of the knowledge element in the 1952 Act, but Congress can hardly be understood to have intended to impose a punitive, overcompensatory remedy for what it rendered a strict-liability tort.

Third, in the 1952 Act, Congress also removed the language specifying that the awardable infringer's profits were "from *the manufacture or sale* ... of the article or articles to which the design ... has been applied ...." *Compare* Act of Feb. 4, 1887, 24 Stat. at 387 (emphasis added) *with* Act of July 19, 1952, 66 Stat. at 813-14. The dissent in *Piano I* had relied upon that language to conclude that the patent-holder was entitled to the entire profits from sales of the pianos, which were purportedly "the article[s] which the complainant *manufactures and sells*." 222 F. at 905-06 (Ward, J., dissenting) (emphasis added). As the *Piano I* majority made clear, that view was erroneous at the time, *see id.* at 904-05, but the error is even clearer under the post-1952 statutory language. Congress expressed no intent in 1952 to override the holding of the *Piano Cases* and adopt the dissenting view in those cases instead.

The 1952 Congress thus reinforced the 1887 Congress's assurances of Section 289's conformity with traditional common-law and equitable principles of causation and proportionality.

C. Practical Consequences Counsel Interpreting Section 289 As Allowing Only Total Profit Attributable To Infringement Of The Patented Design

In addition to conflicting with the text, history and purpose of Section 289, the Federal Circuit's entire-profits rule would harm innovation and competition and create risks of multiple recoveries and races to the courthouse. Limiting awards under Section 289 to profits attributable to infringement of the patented design—which is the natural and sensible reading for all the reasons given above—avoids these harmful effects.

1. The Entire-Profits Rule Would Create Disproportionate Awards And Risk Multiple Recoveries

The Federal Circuit's entire-profits rule would lead to disproportionate awards in any patent case that involves (as here) a design patent claiming only a small component of a product's overall design. Design-patent defendants would have to hand over all of their profits on a computer for infringement of a single patented, preinstalled graphical-interface icon, all profits from a boat for infringing a patent on the design of a marine windshield, all profits on a car for infringing a patented cup-holder design, and so on.

The prospect of such absurd outcomes is not hypothetical. The Federal Circuit's ruling has already prompted an increasing number of cases where disproportionate profits awards are sought or ordered. *See, e.g.*, *Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344, 1354-55 (Fed. Cir. 2015) (vacating and remanding a district court's profits award as inadequate where limited to the "profits attributable to a small portion of the dock levelers at issue"—namely, the portion to which the patented design was applied) (citing the Federal Circuit decision below), *pet. for cert. filed*, No. 15-978 (Jan. 28, 2016); *Pac. Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, 2014 WL 4185297, *11 (M.D. Fla. Aug. 22, 2014) (ruling that the holder of a design patent on a marine windshield was entitled to all profits from "the sale of its boats with the [infringing] windshield") (citing the district court ruling below).

Moreover, the practice of partial claiming ensures that there will be many more requests for such disproportionate awards. The purpose of patenting partial design details is to broaden the range of

potentially infringing products and to increase the chances of prevailing on infringement. *See, e.g.*, Saidman, *supra*, 89 J. PAT. & TRADEMARK OFF. SOC'Y at 319-23. Apple, for example, holds some patents for the entire external design of an iPhone (for example, U.S. Patent No. D580,387 ("D'387")), but has also patented numerous discrete narrow, partial features of the overall iPhone design.[22] Proving infringement of a patent like the D'387 is difficult, given the many obvious dissimilarities between an iPhone and a Samsung Galaxy or other competing phone as a whole. Rather than sue on the D'387 or similar entire-design patent, therefore, Apple instead engaged in "standard and well-accepted patent gamesmanship," *id.* at 319, by picking and choosing which separate narrow design patents to sue on. And this gamesmanship yielded Apple the same amount of infringer's profits as if it had obtained an infringement finding on the D'387 or any other patented design for the *entire* external design of a smartphone. The Federal Circuit's entire-profits rule thus divorces the remedy entirely from the scope of the infringement.

---

[22] Apple holds thirteen patents covering external design features of the original iPhone, twelve of which are for only limited aspects of the phone: U.S. Patent No. D558,756 (filed Jan. 5, 2007); U.S. Patent No. D558,757 (filed Jan. 5, 2007); U.S. Patent No. D558,758 (filed Jan. 5, 2007); U.S. Patent No. D580,387 (filed Jan. 5, 2007); U.S. Patent No. D581,922 (filed July 30, 2007); U.S. Patent No. D586,800 (filed July 30, 2007); U.S. Patent No. D593,087 (filed July 30, 2007); U.S. Patent No. D601,558 (filed Feb. 13, 2009); U.S. Patent No. D613,736 (filed May 19, 2009); U.S. Patent No. D618,677 (filed Nov. 18, 2008); U.S. Patent No. D618,678 (filed Feb. 23, 2009); U.S. Patent No. D627,343 (filed Sept. 15, 2009); U.S. Patent No. D634,319 (filed June 21, 2010).

In addition, the entire-profits rule would invite wasteful and duplicative litigation. It appears to permit *multiple* recoveries of a manufacturer's profits on the same product. For example, a boat manufacturer whose boat is found to infringe separately-owned design patents for a boat's windshield, rooftop and seat might have to pay its entire profits from the boat three times over A computer manufacturer might have to hand over all of its profits to any number of patent-holders who own the rights to particular patented, preinstalled icon designs. And so on.

As this Court has recognized, there is an obvious injustice in a rule by which an infringer may have to pay "his whole profits to each of a dozen or more several inventors of some small improvement." *Seymour v. McCormick*, 57 U.S. 480, 490 (1853). And even if the first award of total profit could be deemed to have exhausted all profits from sales of a product, the risk of missing out on the Section 289 lottery would at a minimum cause a race to the courthouse among design patent owners to obtain the first and largest windfall recovery.

2. The Entire-Profits Rule Would Harm Innovation, Competition And Small Businesses

By grossly over-rewarding design patents, the entire-profits rule would also impede both competition and innovation. Companies would use the threat of potentially devastating design-patent infringement awards as a tool to stifle competition in the marketplace. Non-practicing entities or "trolls" would seize upon design patents as their new weapon of choice. And innovators would be encouraged to focus their energies on minor designs rather than groundbreaking

technologies, given the far greater litigation value of even the most trivial design patent.

First, by authorizing disproportionate awards, the entire-profits rule would make design patents the new weapon of choice in efforts to quash new market entrants. As commentators have recognized, the entire-profits rule "poses a real danger for companies everywhere."[23] Under the rule, a company holding a design patent could obtain disgorgement of its competitor's entire profits on a competing product—no matter how much technological or design innovation the competing product contributes—so long as the competing product somewhere replicated a patented snippet of a design. For example, Apple could assert its patent on a circular button, shown below, against any other "electronic device" with a circular button, and reap the entire profits on that product (as opposed to the total profit attributable to the button):

D747,310[24]

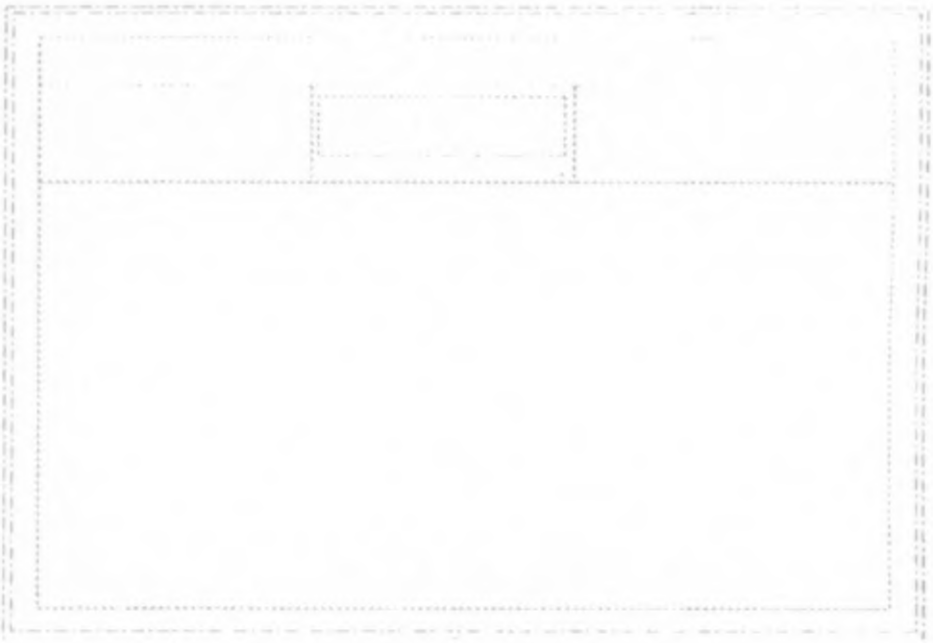
Companies are already using design patents in this way. For example, Microsoft has sued software developer Corel for alleged infringement of (among

---

[23] Jeff John Roberts, *Apple, rounded corners and the new debate over design patents*, FORTUNE (Aug. 19, 2015), http://fortune.com/2015/08/19/apple-patents-rounded-corners/.

[24] U.S. Patent No. D747,310 (filed Sept. 9, 2013), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0747310.

other patents) a design patent for the tiny graphical arrow shown in the lower right corner of the middle box below:



D550,237[25]

See Microsoft Corp. v. Corel Corp., No. 5:15-cv-5836-EJD, Dkt. No. 37 at 12-13 (N.D. Cal., San Jose Division, filed Dec. 18, 2015).

The risks of the entire-profit rule are perhaps most grave for small businesses, for whom a design-patent lawsuit can now be an existential threat.[26] One small business is already facing a remand by the Federal

---

[25] U.S. Patent No. D550,237 (filed May 22, 2006), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0550237

[26] *See* Steve Lebsock, *Court battle over design patents could affect Colorado economy*, THE BUSINESS TIMES (Nov. 17, 2015), http://thebusinesstimes.com/court-battle-over-design-patents-could-affect-colorado-economy/ (the "real losers" from the entire-profits rule may be "smaller enterprises, entrepreneurs and manufacturers that are now at risk of paying total profits").

Circuit for a determination of its entire profits on a product found to infringe a design patent for a small component. *See Nordock*, 803 F.3d at 1356-57

Second, the entire-profits rule would stifle innovation by distorting the incentives that drive invention and undermining the value of technology. In all other areas of intellectual-property law, the scope of available damages is tied to the scope of the infringement. But the entire-profits rule for design-patent infringement makes the value of any single design patent, no matter how minor or trivial, greater than the value of all the utility patents in a smartphone or other technological device combined. The rule thus encourages companies to focus research and development on design patents rather than technologies. As one commentator put it, "'the Federal Circuit's ruling could allow design patent law to swallow utility patent law, making the ornamental design more important than the underlying technology.'"[27]

Third, as commentators have recognized, the entire-profits rule would lead inexorably to "an explosion of design patent assertions and lawsuits" given the power and leverage that design-patent holders now can wield.[28] There has been a surge in applications for design patents recently—design patent "application filings are up almost 50 percent compared to a decade ago," and "[t]he PTO has added 80 new design

---

[27] Adam Liptak, *Supreme Court to Hear Samsung Appeal on Apple Patent Award*, N.Y. TIMES (Mar. 21, 2016), http://www.nytimes.com/2016/03/22/technology/supreme-court-to-hear-samsung-appeal-on-apple-patent-award.html (quoting Prof. David Opderbeck, Seton Hall University).

[28] Jason Rantanen, *Apple v. Samsung: Design Patents Win*, PATENTLYO (May 18, 2015), http://patentlyo.com/patent/2015/05/samsung-design-patents.html.

examiners over the last three years to address the increase," more than doubling their previous ranks.[29] Design-patent appeals to the Federal Circuit have tripled since last year.[30] And non-practicing entities have already started relying on the decision below to demand large payments for purported design-patent infringement,[31] thus supporting predictions that the entire-profits rule would enable design-patent litigation to "becom[e] the next business model for patent assertion entities."[32]

As cautioned in *eBay*, 547 U.S. at 396-97 (Kennedy, J., concurring), patent-holders should not be permitted to leverage a patent on "a small component of [a] product" for competitive gain far beyond that warranted by the patent's value and inventive contribution. But the entire-profits rule creates a "perverse incentive ... to bring design patent infringement cases, even with the weakest merits, intended to motivate

---

[29] Tony Dutra, *Design Patents Up, But Samsung Case Ruling Could Bring Down*, BLOOMBERG BNA (April 20, 2016), http://www.bna.com/design-patents-samsung-n57982070078/.

[30] *Id.*

[31] *See* Giuseppe Macri, *Patent Trolls are Already Abusing the Apple v. Samsung Ruling*, INSIDESOURCES (Oct. 1, 2015), http://www.insidesources.com/patent-trolls-are-already-abusing-the-apple-v-samsung-ruling/.

[32] Gary L. Griswold, *35 USC 289—After Apple v. Samsung, Time for a Better-Crafted Judicial Standard for Awarding "Total Profits"?*, PATENTLYO (Aug. 14, 2015), http://patentlyo.com/patent/2015/08/griswold-patent-damages.html; *see also* Bartlett Cleland, *Flawed by design*, THE HILL (Oct. 12, 2015), http://thehill.com/blogs/congress-blog/technology/256563-flawed-by-design ("Design patents have become increasingly attractive as a new target" for "'patent trolls'").

defendants to settle and avoid the unbalanced risk should damages be assessed."[33]

3. Section 289 Provides A Practical Alternative To Section 284 Even As Properly Limited

Interpreting Section 289 to limit awards of infringer's profits as described above does not render the statute duplicative, but rather leaves a robust remedy distinct from the damages remedy provided in Section 284.

First, as to any design patents that claim designs that cover the entirety of a product as sold,[34] the entire profits from the product's sales still might be subject to disgorgement under Section 289. In such cases, the article of manufacture might be considered coextensive with the product as sold, or infringement of the patented design might be considered responsible for the entirety of the profits earned on such sales.

Second, even as to multicomponent products, Section 289 might be a preferable remedy where proof of infringer's profits is easier as a practical matter than proof of lost profits or a reasonable royalty under Section 284. For example, an infringer's-profits case might be based on *actual* sales records, obviating any need to prove the hypothetical revenues that the plaintiff would have made but for the infringement or

---

[33] Cleland, *supra*, note 32.

[34] *See, e.g.*, *Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1290 (Fed. Cir. 2010) (patent (No. D507,167) for complete design of carpentry tool); *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 668 (Fed. Cir. 2008) (patent (No. D467,389) for complete design of fingernail buffer); *Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1179 (Fed. Cir. 2006) (patent (No. D363,113) for complete design of one-piece fishing lure).

to reconstruct a hypothetical negotiation to determine the amount of a royalty.

Third, a patent-holder's recovery under Section 289 as properly interpreted might in certain cases exceed recovery under Section 284. For example, Congress appeared to contemplate in 1887, when it added Section 289's predecessor, that a design-patent infringer (*e.g.*, a counterfeiter) might often have lower costs and higher profit margins than a patent-holding competitor. In such cases, the gain from infringement of the patented design might well exceed the patent-holder's losses. And a reasonable royalty is rarely so large as to eliminate the infringer's entire profit. *See, e.g.*, *WesternGeco L.L.C. v. ION Geophysical Corp.*, 791 F.3d 1340, 1353 (Fed. Cir. 2015).

For all these reasons, the practical consequences of the Federal Circuit's entire-profits rule counsel its rejection.

II. THE PROPER CONSTRUCTION OF SECTION 289 NECESSITATES REVERSAL OR VACATUR OF THE JUDGMENT BELOW

The Federal Circuit affirmed a judgment awarding Samsung's *entire* profits from sales of eleven smartphones—even though Apple presented no proof that Samsung's profits arose from the articles of manufacture to which Apple's narrow design-patent claims were applied or that Samsung's profits otherwise resulted from infringement of the patented designs. This was unquestionably Apple's burden. *See Piano II*, 234 F at 82 (citing *Dowagiac*, 235 U.S. at 646); *see generally Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009) ("The burden of proving damages falls on the patentee."). Thus, the district court cannot rightly have awarded Samsung's

entire profits from the accused phones, and the Federal Circuit's judgment should be reversed or at the very least vacated and the case remanded for further proceedings.

A. The Record Contains No Proof Of Total Profit From The Relevant Articles Of Manufacture

The relevant articles of manufacture here are not the entirety of Samsung's accused phones, as the Federal Circuit held (Pet. App. 29a). The relevant articles of manufacture here are the discrete components of those phones to which Apple's narrow design patent claims were applied. *See supra*, at 6-9.

Specifically, as to the D'677, which shows a design for a black rectangular front face with rounded corners (*see supra*, at 6-7), the relevant article of manufacture is the round-cornered, glass front face of the smartphone. That is the portion of the smartphone to which the D'677 design was applied. Indeed, Apple's own witness Peter Bressler explained that the asserted design extended only to the portions of the device shown in full lines in the patent drawings, and that the portions shown in dotted lines were disclaimed and outside the claimed scope. J.A. 149-50. Thus, as the D'677 patent drawings show and Apple's expert Bressler confirmed, the claimed design does not cover even the entire front face of the smartphone, much less the entire smartphone. *Id.*; J.A. 577-78; *see also* J.A. 243 (Apple's expert Bressler admitting that Apple did not own "the use of a rectangular shape with rounded corners for an electronic device").

Similarly, as to the D'087, which shows a design for a rectangular front face with rounded corners plus bezel (*see supra*, at 7-8), the relevant article of

manufacture is the round-cornered, glass front face of the smartphone plus its surrounding rim. For this patent too, Apple's expert Bressler testified that, based on the patent drawings, the asserted design was limited to a front face and bezel. J.A. 153.[35]

And, for the D'305, which shows a design for a particular grid of sixteen colorful icons on a black screen (*see supra*, at 8), the relevant "article of manufacture" to which the patent is "applied" is the display screen that sits beneath a smartphone's glass front face.[36] It is that display to which the patented menu of icons is temporarily applied. Apple's own witness Susan Kare confirmed the limited scope of the D'305. She testified that that patent claims only a specific menu of icons, not any other portion of the user interface, and that, in the accused Samsung devices, that menu was neither on the start-up screen nor on the home screen, but rather was shown several layers

---

[35] It is irrelevant that Apple titled the D'677 and D'087 as for an "Electronic Device" (J.A. 531; J.A. 567). While "[t]he title of the design must designate the particular article," 37 C.F.R. 1.153(a), the title cannot determine the scope of the claimed design. To the contrary, the Patent Office examines the claim as depicted in the patent drawing for patentability, and that claim defines the scope of the patent. *See id.* ("No description, other than a reference to the drawing, is ordinarily required."); U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE ("MPEP") 1503.01 (9th ed. Nov. 2015), *available at* http://www.uspto.gov/web/offices/pac/mpep/mpep-1500.pdf ("[T]he illustration in the drawing views is its own best description").

[36] A design for a "computer-generated icon" may be patented only if the icon is "shown on a computer screen, monitor, [or] other display panel." Guidelines for Examination of Design Patent Applications for Computer-Generated Icons, 61 Fed. Reg. 11380, 11381 (March 20, 1996); *see also* MPEP 1504.01(a) ("a computer-generated icon must be embodied in a computer screen, monitor, other display panel, or portion thereof, to satisfy 35 U.S.C. 171").

deep in the interface. J.A. 169-70; J.A. 174-76; *see also* J.A. 176 (Apple's Kare admitting that Apple does not "own[] the right to have a colorful matrix of icons" or "icons arranged in rows and columns in a grid matrix").[37]

Notwithstanding that Apple, as the patent-holder, had the burden to prove its damages, it presented no evidence of Samsung's profits from the relevant articles of manufacture. Apple might have, for example, sought to use survey evidence similar to that in the record to demonstrate the value that consumers assign to the relevant articles of manufacture in the accused products. And Apple might have sought to show the price differential between smartphones with and without articles embodying the infringing designs. But it did neither.

Instead, Apple presented only Samsung's *overall* profits from the accused smartphones—even in the face of abundant evidence from its own surveys showing the numerous *non*-design reasons that consumers rank much higher than design in purchasing smartphones. *See supra*, at 9-10. Since Apple failed to differentiate among the numerous articles of manufacture constituting a smartphone, Apple's profits evidence was insufficient as a matter of law and Samsung was entitled to judgment dismissing Apple's claims for infringer's profits under Section 289.

---

[37] Apple titled its patent application for the D'305 "Graphical User Interface for a Display Screen or Portion Thereof" (J.A. 554), eliminating any doubt that the relevant "article of manufacture" is the display.

B. The Record Contains No Proof Of Total Profit Made From The Infringement

Whether or not the relevant "article of manufacture" for determining the profits awardable under Section 289 is the entirety of each accused Samsung smartphone as sold to consumers, Apple failed to present evidence sufficient to support an award of any infringer's profits, let alone Samsung's *entire* profits, from the accused phones. As shown above, Section 289 requires the patent-holder to prove the amount of profits attributable to the infringement of its design patents. But Apple presented no proof that Samsung's profits were attributable to infringement of the narrow, partial claims asserted here.

Indeed, Apple failed to offer any properly designed and administered consumer survey as evidence of the extent to which consumers bought the accused smartphones because of the patented designs. Instead, as noted, Apple relied solely on Samsung's total profit on the accused phones without regard to whether the designs claimed here caused any of that profit.

As Apple's own market research in the record below reveals, however, consumers purchased Samsung and other Android phones overwhelmingly for their *non*-design features, such as screen size and quality, multimedia functions, and choice of wireless carriers. *See supra*, at 9 (citing J.A. 486-87); *see also supra*, at 10 (citing J.A. 355; J.A. 438; J.A. 505) (comparable findings from third-party surveys). And Apple's evidence showing that "design" might have mattered to some consumers considered design in general, not the specific patented design features that Apple chose to assert. *See supra*, at 10. Indeed, even Apple has recognized that the value of a smartphone does not rest principally in the phone's design: Apple sought,

in a presentation to Samsung prior to this very lawsuit, to extract royalty payments for Samsung's products based on their *functional* features, asserting that "*[s]oftware* creates the largest share of product value." J.A. 494. And Apple recognized that "[o]perating system, applications, user interface, and services are the key to a differentiated customer experience." *Id.* (emphasis removed).

Thus, Apple failed to show that any of Samsung's profits were attributable to infringement of the claimed designs, and Apple's own consumer surveys showed that design, even in general, had a minimal role in consumer purchasing decisions. Since Apple failed to prove that its narrow designs caused *any* measure of Samsung's sales or profits, the Federal Circuit's judgment should be reversed and entry of judgment directed for Samsung.

C. At A Minimum, A New Trial Is Necessary

If judgment is not directed for Samsung, at the very least, the Federal Circuit's judgment should be vacated based on instructional error, and the case remanded for further proceedings including a new trial with instructions that properly interpret Section 289.

First, the Federal Circuit erred in approving the district court's instruction that, under Section 289, the jury should award the "total profit attributable to the infringing products." Pet. App. 29a; *see id.* 165a. Such an instruction disregards both that the relevant "article of manufacture" for determining total profit under Section 289 was the component to which the patented design was applied (*see supra*, at 28-34) and that Section 289 limits recoverable total profit to the profit "made from the infringement" (*see supra*, at 34-35).

Second, for the reasons given above, the district court erred in declining to give Samsung's proposed instruction that the jury "should award only those profits which were derived from the *article of manufacture* to which Apple's patented design was applied" and that "[t]he *article of manufacture* to which a design has been applied is the *part or portion of the product as sold* that incorporates or embodies the subject matter of the patent." J.A. 206-07 (emphases added). *See supra*, at 20-21.

Third, for the reasons given above, the district court erred in rejecting Samsung's proposed instruction that would have limited recoverable infringer's profits to those profits "attributable to whatever infringement you have found." J.A. 204. That instruction reflects the traditional common-law and equitable principles of causation incorporated into Section 289 that tie monetary recovery to actual loss or gain from wrongful conduct. *See supra*, at 20.

CONCLUSION

The judgment of the court of appeals should be reversed or vacated.

Respectfully submitted,

MICHAEL T. ZELLER
B. DYLAN PROCTOR
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
865 S. Figueroa Street
10th Floor
Los Angeles, CA 90017
(213) 443-3000

VICTORIA F. MAROULIS
BRETT J. ARNOLD
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
555 Twin Dolphin Drive
5th Floor
Redwood Shores, CA 94065
(650) 801-5000

KATHLEEN M. SULLIVAN
Counsel Of Record
WILLIAM B. ADAMS
DAVID M. COOPER
CLELAND B. WELTON II
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
51 Madison Avenue
22nd Floor
New York, NY 10010
(212) 849-7000
kathleensullivan@
quinnemanuel.com

Counsel for Petitioners

June 1, 2016